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**SUBSTITUTE HOUSE BILL 2059**

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**State of Washington                      60th Legislature                      2007 Regular Session**

**By** House Committee on Housing (originally sponsored by Representatives Miloscia, Schindler, Kelley, Eddy, Quall, McCune, Simpson and Hurst)

READ FIRST TIME 2/28/07.

1            AN ACT Relating to the property valuation of affordable multifamily  
2 rental housing; amending RCW 84.40.030; and declaring an emergency.

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

4            **Sec. 1.** RCW 84.40.030 and 2001 c 187 s 17 are each amended to read  
5 as follows:

6            All property shall be valued at one hundred percent of its true and  
7 fair value in money and assessed on the same basis unless specifically  
8 provided otherwise by law.

9            Taxable leasehold estates shall be valued at such price as they  
10 would bring at a fair, voluntary sale for cash without any deductions  
11 for any indebtedness owed including rentals to be paid.

12            The true and fair value of real property for taxation purposes  
13 (including property upon which there is a coal or other mine, or stone  
14 or other quarry) shall be based upon the following criteria:

15            (1) Any sales of the property being appraised or similar properties  
16 with respect to sales made within the past five years. The appraisal  
17 shall be consistent with the comprehensive land use plan, development  
18 regulations under chapter 36.70A RCW, zoning, and any other  
19 governmental policies or practices in effect at the time of appraisal

1 that affect the use of property, as well as physical and environmental  
2 influences. An assessment may not be determined by a method that  
3 assumes a land usage or highest and best use not permitted, for that  
4 property being appraised, under existing zoning or land use planning  
5 ordinances or statutes or other government restrictions. The appraisal  
6 shall also take into account: (a) In the use of sales by real estate  
7 contract as similar sales, the extent, if any, to which the stated  
8 selling price has been increased by reason of the down payment,  
9 interest rate, or other financing terms; and (b) the extent to which  
10 the sale of a similar property actually represents the general  
11 effective market demand for property of such type, in the geographical  
12 area in which such property is located. Sales involving deed releases  
13 or similar seller-developer financing arrangements shall not be used as  
14 sales of similar property.

15 (2) In addition to sales as defined in subsection (1) of this  
16 section, consideration may be given to cost, cost less depreciation,  
17 reconstruction cost less depreciation, or capitalization of income that  
18 would be derived from prudent use of the property, as limited by law or  
19 ordinance. Consideration should be given to any agreement, between an  
20 owner of rental housing and any government agency, that restricts  
21 rental income, appreciation, and liquidity; and to the impact of  
22 government restrictions on operating expenses and on ownership rights  
23 in general of such housing. In the case of property of a complex  
24 nature, or being used under terms of a franchise from a public agency,  
25 or operating as a public utility, or property not having a record of  
26 sale within five years and not having a significant number of sales of  
27 similar property in the general area, the provisions of this subsection  
28 shall be the dominant factors in valuation. When provisions of this  
29 subsection are relied upon for establishing values the property owner  
30 shall be advised upon request of the factors used in arriving at such  
31 value.

32 (3) In valuing any tract or parcel of real property, the true and  
33 fair value of the land, exclusive of structures thereon shall be  
34 determined; also the true and fair value of structures thereon, but the  
35 valuation shall not exceed the true and fair value of the total  
36 property as it exists. In valuing agricultural land, growing crops  
37 shall be excluded.

1        NEW SECTION.   **Sec. 2.**   This act is necessary for the immediate  
2   preservation of the public peace, health, or safety, or support of the  
3   state government and its existing public institutions, and takes effect  
4   immediately.

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